WALKING PAPERS

Don't hang on to clients who are more trouble than they're worth. By Ellen J. Bessner

Advisors have every right to fire clients if they're not working out. But remember, there's a right way and a wrong way to handle such terminations. First, the client must have a reasonable amount of time to find another advisor, and that length of time is based on the following:

- The size of city or town will determine the available access to new advisors.
- The client's level of sophistication may determine his or her ability to replace the advisor in a timely fashion, i.e., seeking referrals.
- The account type—basic account or more diversified and complex investment portfolio—may determine level of needed advisor expertise.

Initiate conversation with the client, and then confirm in writing that she is expected to hire another advisor. If you are still on speaking terms with her, she might be able to provide you an estimate of how long it might take for her to switch. If not, err on the side of caution, still keep a written record, but allow your client more time to find another advisor.

Consider whether there are any looming issues for the client. For example, is RRSP season around the corner? Is an investment close to maturity and will thus require action? You cannot leave clients in a lurch, so make sure loose ends are tied and the client is not going to be financially in dire straits upon the severance of your relationship. (I was told once about an accountant who fired a client on the eve of tax-return time—not a good idea. A move like that may come back to haunt the advisor in the form of monetary damages the client may suffer as a result.)

If possible, terminate the relationship when matters are not so far gone that you and the client want to kill each other. You certainly don't want the client to be angry enough to launch a complaint, so saving face might be a wise choice.

Perhaps suggest he would be better served working with an advisor who specializes in an area that is appropriate for his account. The client may refuse at first, but later come to see the merit of your suggestion and hire that person.

Even better is if your tact, skill, and creativity can somehow make the client think the termination was his or her idea. However, in doing so, DO NOT insinuate or admit—either verbally or in writing—that the dissolution of the relationship was your fault. In other words, don't treat this like a breakup of a personal relationship—read: "It's not you, it's me." If what you communicated could be construed as an admission of responsibility, and the client should later sue, this may open the door for an insurer to refuse coverage. But remember, as a safeguard, anything in writing is to be reviewed by compliance in advance.

The other way to approach cutting business ties with unsuitable clients is to simply not take them on in the first place. Why not conduct regular eligibility meetings? For example, Jenny is an advisor whose first interviews with prospects always include a thorough personality assessment. Life's too short to deal with a client who would otherwise be a pain, so she weeds out potential problems from the beginning with this checklist:

- There's a match between the client's wants and needs, and the advisor's services.
- This is not the type of client who changes her advisor every six months.
- The potential client has never sued or issued a regulatory complaint against an advisor.

Bottom line: Letting go of problematic clients doesn't have to be too difficult. When done with finesse, it will most certainly bring you peace of mind. AE

Ellen J. Bessner is a lawyer at Gowling, Lafleur, Henderson. She practises in the area of brokers' liability and offers compliance training to brokerage firms. The above is intended for a general audience and should not be considered legal advice. "Compliance Check" appears every other issue.